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SUBJECT: NIGERIA'S BUDGET BATTLE: NATIONAL ASSEMBLY'S COMPROMISE

REF: ABUJA 537

1. Summary: On April 15, Nigeria's National Assembly (NA) made a key concession to President Obasanjo in the 2004 budget battle. Obasanjo had requested in late March that the National Assembly amend several clauses they had inserted into the 2004 appropriation bill as a condition for his signing the budget into law. On Thursday, the NA dropped requiring the Finance Ministry to seek a waiver from the NA if it could not fund salaries and projects appropriated in the budget. The NA retained, however, a requirement that oil revenues in excess of the budget target price be deposited in an account at the Central Bank of Nigeria (CBN) that the NA could monitor. President Obasanjo had described these various clauses in the budget as unconstitutional, saying they encroached on his executive powers. Neither side seems likely to give in soon on excess oil revenues, and Nigeria may continue under last year's budget for rather longer than expected earlier. End Summary.

2. The NA dropped the clause it had attached to Nigeria's 2004 budget bill which required the Minister of Finance to gain an NA waiver when projects and salaries appropriated in the budget could not be funded by the GON. The NA kept, however, a clause requiring Nigeria's Accountant General to establish a special fund at the Central Bank of Nigeria for crude oil revenues in excess of the NA-proposed benchmark of USD 25 per barrel (up two USD from Obasanjo's proposed budget). In 2003, according to National Assembly members, less than 40 percent of the appropriated budget was actually implemented and millions of USD were used instead to pay for the All Africa Games and the Commonwealth Heads of Government Meeting, both held in Abuja.

3. Dr. Bright Okogu, a special adviser on oil and gas to the Minister of Finance, told Econoffs April 13 that the GON's present accounting system for monitoring crude oil revenues is poor and easily manipulated by GON officials. He admitted that the Ministry of Finance has no system in place to account accurately for oil revenues received by the Accountant General or the Nigerian National Petroleum Corporation (NNPC). Dr. Okogu, on a two-year leave from the IMF in Washington, added that there is certainly stiff political opposition to the Ministry's attempts to monitor crude oil revenues, and claimed there are vested interests -- such as the oil extractors themselves -- who benefit from the lack of transparency in the GON's accounting system.

#### Background

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4. President Obasanjo has refused to sign the 2004 appropriation bill into law because the NA had added three clauses to the bill in mid-March. The first required that the Ministry of Finance only release money appropriated in the budget; i.e. funds could not be used for off-budget items. The second clause required that the Ministry of Finance receive a waiver from the NA to divert funds from appropriated items to non-appropriated projects. The third clause mandated that Nigeria's Accountant General pay any excess oil revenues (over the USD 25 per barrel benchmark price mandated by the Assembly) into a special account at the Central Bank of Nigeria.

5. President Obasanjo's two-page letter to the NA of March 30 bristled at the Assembly's amendments. Obasanjo said certain clauses amounted to unconstitutional usurpation of his executive powers, as they would grant powers to the NA to halt payment from the Central Bank of Nigeria to GON ministries that the Executive had the right to authorize, and vest the Assembly with executive or quasi-executive functions not envisaged by the Nigerian Constitution and the NA's own Appropriation Act.

6. Comment: The Nigerian Constitution provides that the previous signed budget continues in effect until a new one is signed, effectively letting the GON operate under a continuing resolution without needing such a resolution to be passed by the legislature. While many Nigerian observers had thought Obasanjo would sign the budget sooner rather than later (reftel), as he had been cooperating more with the NA on the budget process this year, much of that amity seems to have disappeared. Both sides now are remembering each

other's failings, and the budget battle may go on for some time.

ROBERTS